Research Report

COUPON FACTS

Findings on Cents-Off
Coupon Usage and Users

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This study is one of a series of marketing research reports prepared by the Newspaper Advertising Bureau, Inc., as a service to the newspaper industry and its advertisers. These reports form the basis of recommendations for the efficient use of the newspaper medium to meet the specific marketing needs of individual companies.

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Redemption rates range in the 3% range for mass media, though vehicles that make coupons stand out--inserts and pop-ups--do better. Direct mail receives redemption rates approaching 11%.

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Two coupon ads that ran nationally were tested for their sales effect by the use of scanning data. One product doubled its sales during the week the ad appeared while the other more than tripled its sales. The following week, sales were still above normal.

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I. Growth of Couponing

The number of coupons distributed has continued to grow breaking previous records and exceeding 100 billion for the first time. In 1982, 102.4 billion manufacturers' coupons were distributed, exceeding by 13% the amount distributed during the previous year and topping by 2¼ times the amount distributed five years previously. These figures do not take into account store coupons, which are redeemable only in specific stores and not funded or controlled by manufacturers.

Table 1

MANUFACTURERS' COUPONS DISTRIBUTED

1976	45.8 billion
1977	62.2
1978	72.7
1979	81.2
1980	90.6
1981	102.4

Source: Nielsen Clearing House, 1982.

II. Coupon Distribution

Newspapers continue to be the medium through which most coupons are distributed, and have actually been increasing their lead. The form newspaper coupons take has been changing, however, with a marked swing away from ROP ads--though that still is the way the plurality of coupons are distributed--to free standing inserts.

Table 2

COUPON DISTRIBUTION PATTERNS

	1981	1980	1979
Newspapers	78.5%	75.6%	76.7%
Daily ROP	27.3	31.1	36.2
Co-op	17.7	17.1	16.1
Sunday Supp.	7.3	9.0	9.5
F.S.I.	26.2	18.4	14.9
Magazines	11.8%	13.3%	12.2%
Direct Mail	3.3%	3.4%	3.2%
In/On Pack.	6.4%	7.7%	7.9%

Source: Nielsen Clearing House, 1982.

The Nielsen Clearing House compiled distribution by various grocery product groups. These figures, which are for the year 1980, show newspapers as being the method of choice for distributing over 75% of all coupons in each food category.

Table 3

COUPON DISTRIBUTION BY GROCERY PRODUCT CATEGORY

	Meat & Dairy	Other Packaged Foods	Frozen Foods	Beverages	Household Products	Health & Beauty Aids
Newspapers:	83%	76%	80%	80%	78%	69%
ROP Solo	41	39	50	51	20	13
Co-op	17	18	12	10	18	16
Sunday Supp.	8	7	7	7	10	14
F.S.I.	17	12	11	12	30	26
Magazine	10%	12%	12%	10%	11%	19%
Direct Mail	2%	2%	3%	5%	5%	5%
In/On Pack.	5%	10%	5%	5%	6%	7%

Source: Nielsen Clearing House, 1981.

III. Redemption Rates

Redemption rates vary depending on the effectiveness of the ad, the attractiveness of the offer, how well each medium is used, how readily available the item is and the effectiveness of back-up support. The Nielsen Clearing House believes middle-half ranges serve as a better guide than an average, giving analysts an idea of how well or how poorly a company's offer could potentially draw; media differ in their inherent pulling power. All three of the major clearing houses agree that direct mail offers the best redemption rate (other than in/on pack, which not all measure) though because of its high cost it is not always efficient to use. Newspapers generally offer the lowest redemption rates, though they also cost the least. Free-standing inserts perform very well in newspapers, however, and a food offer placed in the best food day section next to some recipes, for instance, might pull much better than average.

Table 4

COUPON REDEMPTION RATES BY MEDIA

	Nielsen Average	Nielsen Middle-half Range	Donnelley	MMS
Newspaper:				
ROP Solo	3.1%	1.8%-4.1%	2.2%	3.46%
Co-op	3.4	2.3 -4.8	2.5	3.80
Sunday Supp.	2.1	1.1 -3.0	2.6	3.56
F.S.I.	5.1	3.3 -6.8	3.8	5.50
Magazine:				
On-page	2.6%	1.5%-3.6%	2.8%	3.79%
Pop-up	5.6	3.9 -7.8	3.8	N.A.
Direct Mail	11.6%	8.1%-17.9%	10.5%	N.A.

Nielsen-Nielsen Clearing House, Donnelley-Donnelley Marketing, MMS-Manufacturers Marketing Service, N.A.-Not Available.

Source: Haugh, 1981.

In/on package coupons are a special case. They are not distributed by the mass media but rather are carried on or in packaged products. They may be for the same product contained in the package, which encourages repeat purchases but does little to encourage new users, or be for a different product--the former, of course, has higher redemption rates as the coupon is going to people who already purchase the product, though many would have purchased it again without the inducement of a coupon. Coupons can appear either on the package or inside it--the latter offers a much better redemption rate but the additional cost of printing the former is practically nil.

Table 5

REDEMPTION RATES OF IN/ON PACK COUPONS

	Average	Middle-Half Range
Same Product, In Pack.	18.4%	9.6-30.7
Same Product, On Pack.	13.3	7.1-25.6
Different Product, In Pack.	6.8	3.1-10.8
Different Product, On Pack.	4.4	2.5- 8.2

Source: Nielsen Clearing House, 1981.

A comparison of redemption rates by media by grocery product groups shows little difference in the effectiveness of specific media with specific products--though redemption in general is higher for certain products than others. Meat and dairy, other packaged goods and beverage coupons redeem higher than others. This, of course, is largely a factor of product usage in that more people eat meat, for instance, than use health and beauty aids.

Table 6

COUPON REDEMPTION RATES BY MEDIA AND GROCERY PRODUCT GROUPS

	Meat & Dairy	Other Packaged Foods	Frozen Foods	Beverages	Household Products	Health & Beauty Aids
Newspapers:						
ROP Solo	3.5%	3.2%	2.4%	3.8%	2.6%	2.0%
Co-op	3.7	3.5	3.0	3.4	3.0	2.5
Sunday Supp.	1.7	2.1	1.7	2.7	1.9	1.6
F.S.I.	5.7	5.9	4.6	5.5	4.3	3.2
Magazines:						
On Page	2.9%	2.9%	3.1%	2.3%	1.7%	1.4%
Pop-Up	6.7	5.1	4.6	6.5	5.2	3.5
Direct Mail	10.7%	13.3%	11.0%	11.2%	10.8%	7.2%
In/On Pack:						
Same Product, In Pack.	20.7%	18.1%	19.4%	17.8%	18.0%	10.3%
Same Product, On Pack.	14.9	13.5	11.3	11.8	12.9	11.0
Cross Product, In Pack.	8.7	6.7	8.6	6.8	6.3	3.1
Cross Product, On Pack.	4.1	4.5	5.5	4.9	2.9	4.2

Source: Nielsen Clearing House, 1981.

IV. Cost Per Redeemed Coupon

The cost per redeemed coupon is in the low 30¢ range for most media, including a fixed charge of 7¢ per coupon for handling and a face value of 19.8¢, the average in 1981. The actual distribution and printing cost of coupons thus comes to about 5¢ (though the analysis includes only 25% of the cost of a full page RCP ad in newspapers, Sunday supplements and magazines as coupon-related costs, assuming that the ad containing the coupon has value of its own). These cost figures should be taken only as a general guide, however, with redemption rates and media and production costs varying widely.

Table 6

COST PER REDEEMED COUPON

Newspaper:	
RCP Solo	31.2¢
Co-op	30.8
Sunday Supp.	40.4
F.S.I.	32.8
Magazine:	
On Page	38.3¢
Pop-Up	56.2
Direct Mail	33.9¢
In/On Pack.	27.9¢

Source: Analysis by Newspaper Advertising Bureau based on update of 1978 figures of Strang, 1981, p. 9 Nielsen Clearing House, 1981.

V. Face Value of Coupons

While the face values of coupons continues to rise to record highs, the increase is not in line with inflation. Five years ago, coupons had an average face value of 14.2¢, but given inflation, that would be equivalent to 22.7¢ today, as compared with the actual 1981 average of 19.8¢.

Table 7

AVERAGE FACE VALUE OF COUPONS

	Average Value	Value in 1981 Cents
1981	19.8¢	19.8¢
1980	18.5	20.4
1979	17.1	21.4
1978	15.6	21.7
1977	14.9	22.4
1976	14.2	22.7

Source: Nielsen Clearing House, 1982.
Bureau of Labor Statistics, 1982.

The modal face value of coupons is now at 15¢, though plenty of 10¢ coupons are still around, and 25¢ coupons are becoming commonplace.

Table 8

DISTRIBUTION OF FACE VALUES OF CENTS-OFF COUPONS

7¢	1.3%
10	22.8
12	4.8
15	27.3
20	13.1
25	18.1
30 +	12.6

Source: Nielsen Clearing House, 1982.

VI. Effect of Coupons on Sales

Through scanning data obtained from NABSCAN, Inc., product movement data is available week by week and can be coordinated with advertising to evaluate its effect. The NAB analysed two nationally-run coupon ads run on November 12, one for Lipton Lots-a-Noodles Soup, a new product, and one for Minute Maid Apple Juice. The soup ad was 390 lines in size (SAU #14) while the apple juice ad was 480 lines in size (SAU #17). Each ad had a coupon good for 15¢. Data from 7 scanner stores in 7 different cities were analysed. It was found that product sales increased dramatically the week the coupon appeared (it appeared on the first day of the measurement-week), and held up even the week following.

Table 9

MOVEMENT OF PRODUCTS SUPPORTED
BY COUPONED-NEWSPAPER ADVERTISING

	Lipton Lots-a-Noodles Soup	Minute Maid Apple Juice
Week Before Ad (11/5-11/11)	252 units	79 units
Week of Ad (11/12-11/18)	456	239
Week After Ad (11/19-11/25)	326	222

Source: NABSCAN, 1981.

VII. Coupon Usage

The 1981 Study of Media and Markets by Simmons Market Research Bureau reports that 71% of all female homemakers use cents-off coupons. Users get their coupons from several different sources, but the most favored medium is newspapers. Nearly nine out of ten users (87%) obtain coupons from newspapers, as compared with 69% using the next most popular medium (magazines). (See accompanying table.)

For each medium, SMRB classifies users into three groups: heavy, medium and light. It should be noted that the criterion for heavy usage is more stringent for newspapers than for any of the four other sources reported. For newspapers, heavy coupon users are defined as those who use them "more than once a week". For the other media, the measure is "once a week or more often". If newspaper usage were reported on the same basis, 33% of all female homemakers would be "heavy" users of newspaper coupons, as compared with 14% for the medium ranking second (again magazines).

Table 10

USAGE OF CENTS-OFF COUPONS BY FEMALE HOMEMAKERS

	Percent of: Female Homemakers	Coupon Users
Ever use cents-off coupons	71%	100%
Use coupons from newspapers	61%	87%
Heavy-more than once a week	9	13
Medium-once a week	24	34
Light-less often	28	40
Use coupons from magazines	49%	69%
Heavy-once a week or more often	14	20
Medium-2-3 times a month	15	21
Light-once a month or less often	20	28
Use coupons in or on packages	44%	63%
Heavy-once a week or more often	13	18
Medium-2-3 times a month	13	18
Light-once a month or less often	18	27
Use coupons from mail	46%	65%
Heavy-once a week or more often	11	16
Medium-1-3 times a month	21	29
Light-less than once a month	14	20
Use coupons handed out near stores	14%	20%
Heavy-once a week or more often	4	6
Medium-1-3 times a month	4	6
Light-less than once a month	6	8

Source: Simmons Market Research Bureau, 1981.

VIII. Coupon Size and Design

At present, manufacturers' coupons are limited to one of two sizes--dollar bill size (2 5/8" x 6 1/8") or punch card size (2.456" x 3.25") unless they are manually processed. Coupons in other sizes cannot fit through automated equipment used by the Nielsen Clearing House and similar organizations. Creativity can be used in the designs, but one must keep in mind that the coupon should readily be recognizable as a coupon to catch the eyes of those seeking them out.

The following are some pointers put out by the Association of National Advertisers (1962):

(1) Redemption value should be printed in bold type in at least two places.

(2) The name of the product and the number of packages of each size that must be purchased should be clearly specified. (Note: These now must also be specified on the outside of the package in the case of in-product coupons as well as on the coupon itself if the coupon is advertised on the outside of the package.)

(3) The consumer should not be required to fill in a name and address.

(4) The words "Store Coupon" should be printed in bold type to distinguish these coupons from "mailback" certificates.

(5) For legal reasons in some states, consider including a legal cash redemption value, such as "1/20 of 1¢" on all coupons.

It is also a common practice now to include a statement releasing oneself from having to redeem coupons when not used in

the legal manner. Many manufacturers include a clause asserting that invoices showing purchases of sufficient quantities to cover claimed purchases must be made available on request.

Coupons often give consumers a set amount off, two items for the price of one, or the chance to buy items at a set price. All of these work but one type of offer to avoid, according to a study done by the Palo Alto Times (1977), is giving consumers a percentage off the regular price. Except for half-off coupons, percentage discounts don't seem to have much meaning for consumers and thus don't result in as much pull.

IX. Clearing Houses and Co-op Coupon Companies

Clearing Houses are specialized operations that handle the collection and counting of coupons, the reimbursement of retailers, and take precautions against the various forms of misredemption (counterfeit coupons, redeeming of coupons without purchase of the product, etc.). The three largest clearing houses are as follows:

Donnelley Marketing
1515 Summer Street
Stamford, Connecticut 06905
(203)357-8600

Manufacturers Marketing Services
4 Heron Court
Bridgeport, New Jersey 08014

Nielsen Clearing House
1900 North Third Street
Clinton, Iowa 52732
(319)242-4505
New York (212)868-8830
Chicago (312)498-6300
Los Angeles (213)466-2023

Other companies distribute coupons in newspapers nationally or regionally, either by buying a page or by including an insert, and presenting the consumer with an array of coupons. Redemption rates of such coupons are traditionally higher as the mass of coupons in itself serves as a draw to readers. A few of these companies are:

John Blair Marketing
717 Fifth Avenue
New York, New York 10022
(212)980-5252

Cato Johnson, Inc.
(The Money Page)
100 Park Avenue
New York, New York 10017
(212)210-5594

Marketing Corporation of America
(Newspaper Co-op Couponing)
285 Riverside Avenue
Westport, Connecticut 06880
(203)226-1061

Marketing Showcase, Inc.
(Product Movers)
621 Avenue of the Americas
New York, New York 10011
(212)924-7551

McGill Jensen Marketing
(Ad Inserts)
12 Havemyer Place
Greenwich, Connecticut 06830
(203)629-4986

The Sunflower Group
7221 West 79 Street
Overland Park, Kansas 66204
(913)341-7536
(serves C&D counties)

George F. Valassis and Company
26 Acorn Place
Ridgefield, Connecticut 06887
(203)436-9665

X. Other Sources of Information

The single largest repository of couponing information is the Nielsen Clearing House of Clinton, Iowa. They publish on a yearly basis the NCH Research Report, which includes the latest figures on coupon growth, media distribution and redemption rates, the NCH Reporter which comes out several times during the year and deals with current issues in couponing, and A Product Manager's Guide to Effective Couponing, a manual of coupon information.

Other clearing houses, such as the Manufacturers Marketing Service of Bridgeport, New Jersey and Donnelley Marketing of Stamford, Connecticut also have information available, as do the media-promotion bureaus in New York: the Magazine Publishers Association (212-752-0005), the Direct Mail Marketing Association (212-689-4977), and the Newspaper Advertising Bureau (212-557-1811), the producer of this report.

XI. References

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